



Health
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Policy



MEDICARE-ELIGIBLE RETIREE HEALTH CARE FUND (MERHCF)

Presented to:

**Data Quality Management
Conference**



What is it?

- Established by Congress (2001 NDAA) to provide *mandatory* funding for a health care entitlement (*Title 10, Subtitle A, Part II, Chapter 56, United States Code*)
- Covers certain Medicare-eligible DoD beneficiaries (*military retirees, retiree family members and survivors - not simply "over-65s"*)
- Pays for MTF care, purchased care and pharmacy

Recognizes DoD's accrued and future liability for cost of retiree/survivor health



What is “accrual?”

Accrual is an accounting concept that recognizes the cost of a future liability that is earned now, but paid in the future, normally beyond the current accounting period (such as a Fiscal Year in the Federal Government); ***health care is a retirement benefit that accrues with uniformed service.***

The DoD Medicare Eligible Retiree Health Care Board of Actuaries determines funding requirements based on actuarial analyses and assumptions, including population characteristics such as:

Rates of retention to retirement eligibility.



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TFL/TSRx ≠ MERHCF



TRICARE for Life (TFL) - Age 65 or over, Medicare eligible, enrolled in Part B, not Active Duty

TRICARE Senior Pharmacy (TSRx) - Age 65 or over, Medicare eligible, enrolled in Part B (unless age 65 or older as of 1 April 2001), not Active Duty

MERHCF - Medicare eligible **retirees, retiree family members and survivors only**, regardless of age or Part B enrollment status

Other key differences include:

The MERHCF pays for Military Treatment Facility (MTF) care; TFL and TSRx do not

The MERHCF pays for Uniformed Services Family Health Plan (USFHP) costs; TFL and TSRx do not





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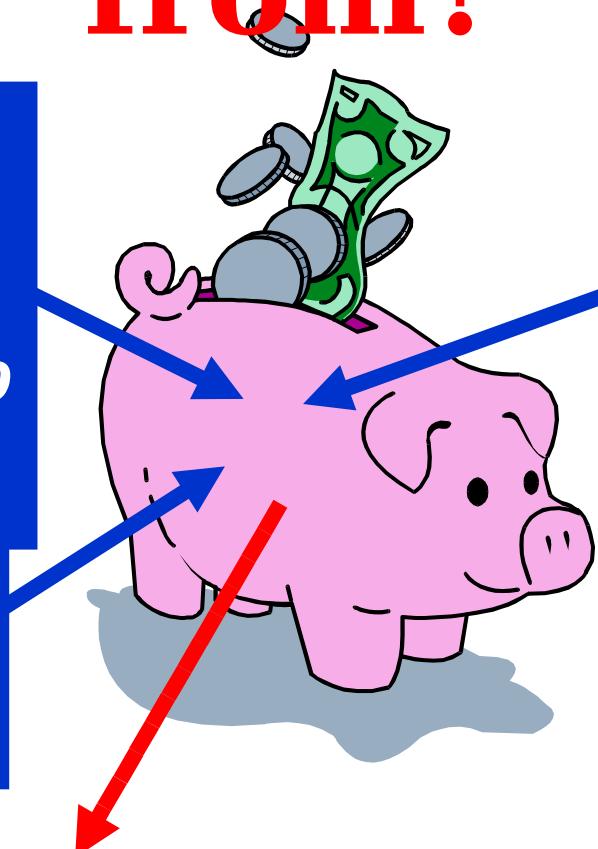
Where will the money come from?



TRICARE Management Activity
Resource Management Directorate

**Dept of Treasury
unfunded
actuarial liability
(UAL) - \$538B
amortized over 50
years (15.6B
FY07)
Accrual
fund
investmen
t earnings**

**Annual DoD actuarial
“Normal Cost”
contribution
(\$11.2B FY07)**



***FY07 Estimated
Outlays \$7.7B***



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Normal Cost Contribution

FY07 per capita rate

*Paid by Treasury on behalf
of Service MILPERS
accounts*

- Full time \$504 per month (\$6,048 annually)
- Part time \$293 per month (\$3,516 annually)

Multiplied by annual budgeted Service end strength

FY07 actual total DoD contribution - \$11.2B





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Purchased Care



TRICARE for Life* - Medicare primary payor, TRICARE supplemental (last) payor (*must be enrolled in Medicare Part B*) plus TRICARE unique benefits (*OCONUS purchased care*)

Managed Care Support (MCS) Contracts* - network at-risk costs (*under 65 Medicare eligibles - must be enrolled in Part B*)

TRICARE Senior Pharmacy* - retail, TMOP costs (*must be enrolled in Part B, unless "grandfathered" - age 65 or older as of 1 April 2001*)

US Funds flow: Daily transactions
enrollees x capitation rate
against accrual fund for

Simultaneo
us

** Includes claims processing and other reconciliation* 7



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Direct (MTF) Care



**Inpatient Care - Relative Weighted Products (RWPs) x MTF-specific rate
(*Medical Expense and Performance Reporting System (MEPRS) cost/RWP*)**

**Outpatient Care - Ambulatory Patient Group (APG) weights x MTF-specific rate
(*MEPRS cost/APG weight*)**

Outpatient Pharmacy

PDTS data captures vendor cost of pharmaceutical procurement

“Ingredient cost” - *purchase costs from Pharmacy Data Transaction Service (PDTS)*

**“Non-ingredient cost” - MTF-specific
Move to market prices**



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MTF Funds Flow



**Prospective/interim annual
payment at beginning of FY
(distributed quarterly)**

Defense Health Program O&M

***Fund > USD(C) > TMA > Services
> MTFs***

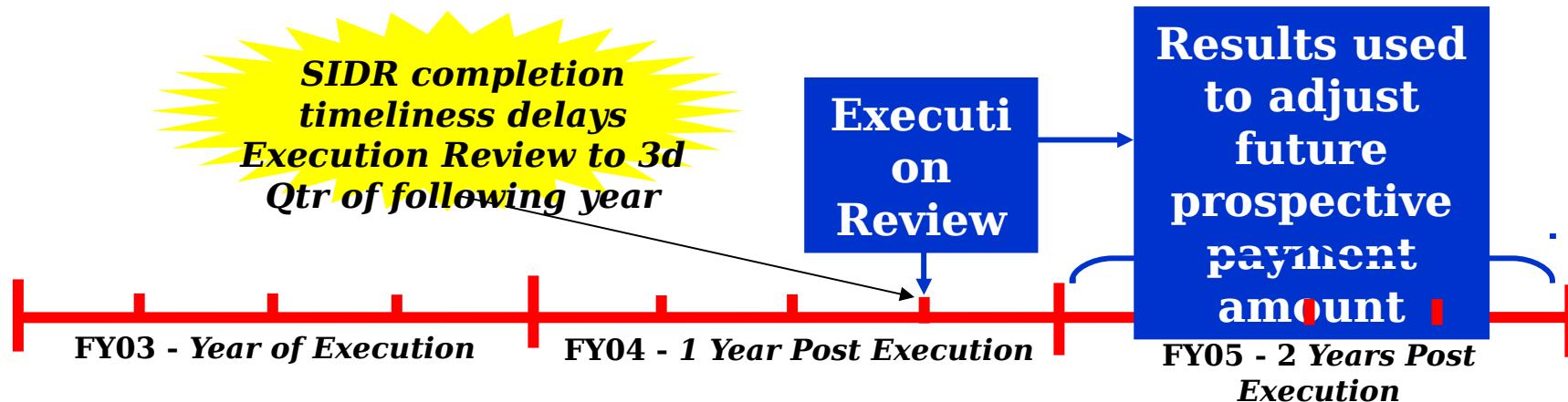
MILPERS



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MTF

Reconciliation *The plan...*



Use results of the Execution Review to adjust prospective payment amounts in the next available budget year under the PPBS cycle; do not transfer money to or from the fund based on execution year under/over execution

Provides stable business



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Management Controls



- Center for Medicare and Medicaid Services (CMS) Medicare eligibility data merged with Defense Enrollment Eligibility Reporting System (DEERS) (*system change request (SCR) added Medicare eligibility to Standard Inpatient Data Record (SIDR) and Standard Ambulatory Data Record (SADR)*)
- MTF earnings calculations automated based on SIDR/SADR weighted workload reported in MHS Data Repository (MDR); final results subject to Service and TMA review at reconciliation